

Message Text

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PAGE 01 ABU DH 01073 090638Z
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
-----091048Z 008956 /15

R 090545Z APR 77
FM AMEMBASSY ABU DHABI
TO SECSTATE WASHDC 5917
INFO AMEMBASSY DOHA
AMCONSUL DHAHRAN
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY TEHRAN
AMEMBASSY VIEFA

C O N F I D E N T I A L ABU DHABI 1073

EXDIS

E.O. 11652: GDS
TAGS: ENRG, OPEC, TC
SUBJ: PETROLEUM UNDER SECRETARY'S VIEWS ON OPEC SITUATION

REF: DOHA RRI (NOTAL)

1. DURING APRIL 7 CALL ON ABU DHABI PETROLEUM UNDER SECRETARY ABDALLAH ISMAIL WITH VISITING AMBASSADOR MAESTRONE, ISMAIL AGAIN DENIED THERE WERE ANY UAE INITIATIVES TO PUSH FOR AN OPEC SUMMIT. HE SAID PURPOSE OF OIL MINISTER UTAYBA'S VISIT TO QATAR HAD BEEN PURELY FOR PRIVATE BUSINESS. UTAYBA OWNS A PIECE OF PROPERTY IN DOHA AND WANTS TO BUILD A BUILDING ON THE LAND. SINCE HE WAS IN DOHA, HIS QATARI COUNTERPART INSISTED THAT HE PAY COURTESY CALL ON THE RULER AND THIS HAD GENERATED SPECULATIVE PRESS STORIES THAT UAE PUSHING OPEC SUMMIT.

2. ISMAIL DID NOT SEE ANY OPEC COMPROMISE ON PRICES IN NEAR TERM. THE COLD WEATHER IN US, BAD WEATHER IN GULF WHICH HAD DELAYED LOADINGS, ARAMCO'S PRODUCTION BOTTLENECKS,
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AND RENEWED STOCKPILING BY OIL COMPANIES IN ANTICIPATION OF ANOTHER 5 PERCENT PRICE INCREASE IN JULY HAD ALL CONSPIRED AGAINST SAUDI-UAE OIL EFFORTS HOLD OIL PRICE LINE DURING FIRST QUARTER OF 1977. HE THOUGHT THIS SITUATION WOULD CONTINUE DURING SECOND QUARTER OF YEAR EVEN THOUGH PRICE MAXIMIZERS MIGHT BEGIN TO SEE THEIR SALES DIP SLIGHTLY AND MAKE PRICE DISCOUNTS. BY THIRD QUARTER, HOWEVER, ISMAIL THOUGHT SITUATION

WOULD CHANGE. THIS IS NORMALLY LOW DEMAND PERIOD BY COMPANIES. PRODUCTION BOTTLENECKS IN SAUDI ARABIA SHOULD HAVE BEEN OVERCOME, WHICH WOULD PUT A SUBSTANTIALLY LARGER AMOUNT OF CHEAPER SAUDI OIL ON MARKET. ALSO INDUSTRIALIZED COUNTRIES (READ USA) MAY HAVE TAKEN SOME STEPS TO HOLD DOWN ON CONSUMPTION GROWTH.

3. ISMAIL FELT THAT IF COMPROMISE WORKED OUT, IT WOULD HAVE TO BE DONE FIRST BY SAUDIS AND IRANIANS AND NOT IN AN OPEC MEETING, NOTING AS AN ASIDE THAT JULY 12 OPEC MEETING WAS NEVER INTENDED TO BE A MEETING TO DISCUSS FUTURE OIL PRICES. ISMAIL THOUGHT SAUDIS HAD TRIED HARD TO CONVINCE IRANIANS THAT SAUDI ACTION AT DOHA LAST DECEMBER WAS NOT DIRECTED AGAINST IRAN. SAUDIS HAD SHORTLY THEREAFTER OFFERED IRAN A DOLS 3 BILLION LOAN TO HELP IRAN OVERCOME ANY BALANCE OF PAYMENTS PROBLEM. HE THOUGHT COMPROMISE THAT WOULD SAVE FACE ALL AROUND COULD STILL BE WORKED OUT BWTWEEN TWO COUNTRIES SOME TIME LATER THIS YEAR. IF NO COMPROMISE IS REACHED THEN HE FORESAW NOT A TWO TIER BUT A THREE TIER PRICE SYSTEM WITH SAUDIS AND UAE HOLDING TO 5 PERCENT, OTHERS TO CURRENT PRICES, AND STILL OTHERS GOING UP TO 15 PERCENT. HE NOTED THAT BOTH KUWAIT AND IRAN HAD INFORMED THEIR BUYERS THAT PRICE WOULD GO UP ANOTHER 5 PERCENT ON JULY 1. AMBASSADOR MAESTRONE COMMENTED THAT HE BELIEVED, BASED ON HIS TALKS WITH KUWAIT FONMIN, THAT THIS WAS FOR TACTICAL REASONS ONLY AND THAT KUWAITIS WOULD GLADLY ACCEPT PRICE COMPROMISE.

4. ISMAIL THEN REMARKED THAT HE BELIEVED UTAYBA WOULD SHORTLY BE GOING TO RIYADH FOR FURTHER CONSULTATIONS WITH SAUDIS. UAE PRESIDENT SHAIKH ZAYID OWED A REPLY TO LETTER DELIVERED BY SAUDI CONFIDENTIAL

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OIL MINISTER YAMANI FROM SAUDI CROWN PRINCE FAHD IN FEBRUARY (ABU DHABI 574 AND 583). FAHD'S LETTER HAD THANKED ZAYID FOR UAE SUPPORT ON PRICE ISSUE BUT IT HAD ALSO URGED UAE TO PUT ITS REMAINING SHUT IN CAPACITY (BETWEEN 250 AND 300,000 BPD) INTO PRODUCTION. ZAYID HAD BEEN THE ONE WHO HAD TAKEN POSITION ON PRICES, A DECISION WHICH ISMAIL ADMITTED HAD BEEN AND STILL IS OPPOSED BY JUST ABOUT EVERYONE IN UAE, AND ONLY ZAYID WOULD HAVE POLITICAL CLOUT TO FORCE DECISION FOR HIGHER OIL PRODUCTION. EVEN THOUGH RESULTS OF RECENT TECHNICAL STUDIES INDICATED THAT ONSHORE ABU DHABI RESERVOIRS WOULD NOT BE DAMAGED IF SHUT IN CAPACITY PUT INTO PRODUCTION, THERE WAS STRONG OPPOSITION INTERNALLY TO USING THIS CAPACITY BECAUSE (A) IT WOULD ALLOW ZAYID TO GIVE MORE FOREIGN AID; (B) IT WOULD REDUCE AVAILABLE OIL RESOURCES FOR FUTURE; AND (C) THERE WERE NO DOMESTIC REQUIREMENTS FOR ADDITIONAL REVENUE AT MOMENT. DICKMAN

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Message Attributes

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Sent Date: 09-Apr-1977 12:00:00 am
Decaption Date: 22 May 2009
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
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